An abstract painting featuring a dark, textured background. A central, roughly rectangular frame made of thick, brownish-gold paint contains a dark, shadowy face. The face has two small, white, circular eyes and a small, dark, rectangular mouth. The overall style is expressive and somewhat somber. A small red dot is visible in the upper left corner, and a few white specks are scattered in the upper right.

AR11

INTERNATIONAL MOGUL MINES LIMITED/1971 ANNUAL REPORT





Front cover is a reproduction  
of an oil painting by Canadian  
artist Alan C. Collier.

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## Financial Highlights

### Statement of Income

	1971	1970	1969
Revenue from production	\$11,906,000	\$14,853,000	\$13,607,000
Operating profit	5,537,000	7,100,000	6,578,000
Gross cash flow — mining operations	4,925,000	5,936,000	5,283,000
Per share	1.89	2.28	2.03
Income before net gain on investments and extraordinary items	2,436,000	2,936,000	1,956,000
Per share	0.93	1.13	0.75

### Balance Sheet

Working capital	3,668,000	8,333,000	2,375,000
Repayment of long-term debt	5,067,000	4,107,000	4,564,000
Shareholders' equity	28,175,000	27,087,000	16,012,000
Shares outstanding	2,607,112	2,607,112	2,607,112

## Production Highlights

Tons of ore treated	788,771	1,008,565	1,018,705
Grade of ore treated — Lead %	2.37	2.68	2.42
— Zinc %	8.59	10.53	10.22
Production of Concentrates			
Tons of lead concentrate	27,407	38,077	36,473
Grade of lead concentrate %	44.29	40.90	37.32
Tons of zinc concentrate	115,197	178,388	175,476
Grade of zinc concentrate %	52.15	50.64	49.54
Recoveries — Lead %	65.33	57.31	54.99
— Zinc %	87.06	83.74	82.68

## Directors' Report to Shareholders

We are pleased to present this report of your Company's activities during the year 1971.

Consolidated net income for the year before net gain on investments and extraordinary items amounted to \$2,436,000 or 93¢ per share compared with \$2,936,000 or \$1.13 per share in the preceding year. Net gain on investments amounted to \$61,000 compared with \$1,056,000 in the preceding year. 1970 comparative figures have been restated to set out separately extraordinary items. The extraordinary loss on investments in 1971 of \$1,409,000 resulted principally from the write-down in value of shares of other mining companies whose operations are described in the exploration and investment sections of this report.

Operating income of Mogul of Ireland Limited, the Company's 75% owned Irish subsidiary, was considerably impaired because of a labour strike and an explosion which suspended production for a period of approximately ten weeks.

It is expected, however, that the increase in the European Producer Price for zinc from £128.95 a ton to £150 and recent lead price increases, together with the improvement in metal recoveries, will result in an improved profit performance from operations of the mine at full capacity. The recent change in international monetary values has also been of benefit since net smelter return is based primarily on the Pound Sterling which has the effect of increasing the Canadian dollar equivalent. In the months from February to April, 1972

there has been a substantial reduction in production due to labour problems, a minor surface plant fire and a nationwide power strike. It now appears that these problems are mainly behind us and that full profit potential can be realized for the balance of 1972. It is also anticipated that the Producer Price for zinc in Europe will be increased before the end of 1972 and this will have a significant effect on the profits of Mogul of Ireland. Notwithstanding the shortfall in expected production in Ireland, \$5,000,000 of debt was retired during the year and current projections indicate that the remaining bonds will be retired before the middle of 1973.

An office was established in Australia in the middle of 1970. In late 1971, after having looked at many situations, a controlling interest in Beaver Exploration Australia N.L. was acquired. Beaver, a company with \$3,500,000 in liquid assets, has made some investments since the acquisition and is planning to develop some attractive oil exploration programs for participation with other oil companies on a farmout basis.

Beaver has taken up a 25% interest in an oil exploration program on the northwest shelf of Australia with three major companies as partners. This is an area stimulating much interest in Australia at the present time and your Directors are pleased to have obtained this indirect participation.

As a result of various transactions in 1972 International Mogul now controls a group of companies in Australia which, excluding inter-company shareholdings, have assets with a value of approximately \$7,500,000 as of the date of this report. More details of these transactions and the companies are given in the attached information.

As a result of these acquisitions, International Mogul now has an important stake in Australia, and we believe that we are in a position to participate actively in the economic growth that will inevitably occur in that country, particularly in the natural resource sector.

Although The Grand Bahama Development Company almost maintained the same dollar value of real estate sales in the year ended October 31, 1971 as it had in the previous year, profits were reduced by 28% primarily because of increased marketing costs.

A corporate reorganization has taken place which more effectively divides the interests of The Grand Bahama Port Authority and The Grand Bahama Development Company, which is 57% controlled by the former. This, together with Devco's expansion into real estate developments outside the Bahamas, should improve the company's potential. Your Directors are confident that your Company's 17% interest in Devco continues to be an asset having good growth prospects.

The Western Canada oil exploration program managed by Bluemount Resources is now expected to be in the order of \$40 million over the full term of eight years. This is an interesting oil and gas exploration program which should benefit International Mogul in the coming years.

I.M.M. Ventures Limited, a wholly owned subsidiary, has concentrated during 1971 on the investments

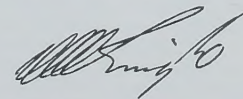
previously made and reported to you. These acquisitions continue to have potential and although no operating profits were made in 1971, we expect improved performance in 1972.

Our mineral exploration programs continued undiminished although our 1971 program included more syndicated participation than has been usual in the past. In some cases this is a more satisfactory method of spending exploration money.

Your Directors look to the future with confidence. The major investments of your Company have significant growth prospects and this fact together with the cash flow which will be generated from Mogul of Ireland when all its remaining bonds have been retired puts International Mogul in a strong position for further expansion and development of a firm income base.

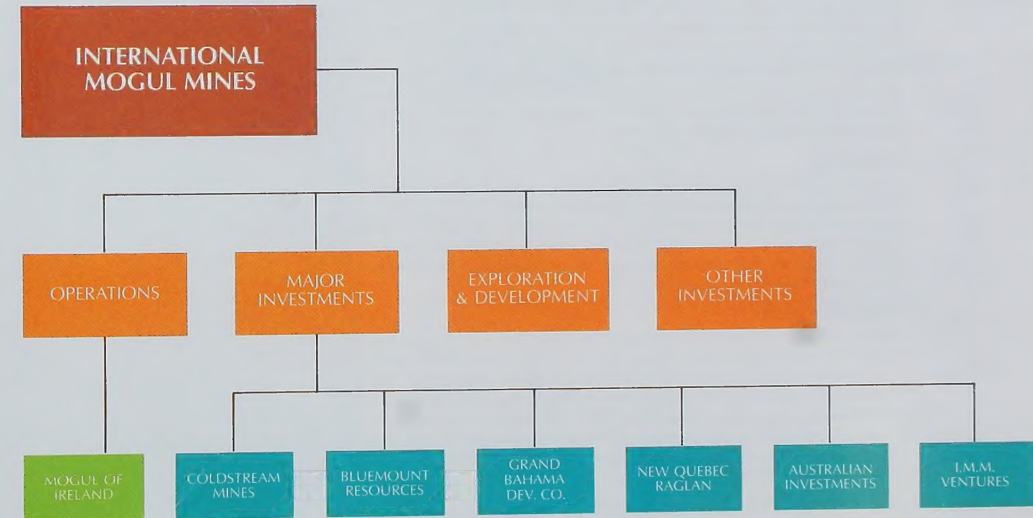
In closing, I would like to thank all employees of the Mogul group for their continuing efforts on your behalf.

On behalf of the Board of Directors,



President.

Toronto, Ontario,  
May 25, 1972.





## Mogul of Ireland Limited

Operating profit for the year of the Company's 75% owned subsidiary was \$5,537,000. After deducting interest on long term debt, royalties, depreciation and amortization charges, net profit amounted to \$3,204,000.

During 1971 operations were adversely affected by a labour strike and an explosion which curtailed production for a period of approximately ten weeks. This resulted in the reduction of mill throughput to about three-quarters of the normal annual production rate.

### Exploration

The exploratory surface diamond drilling program which commenced in 1969 continued throughout the year utilizing one machine. A total of 21 holes were drilled comprising 11,246 feet. All drilling was confined to the Valley area lying north of the "G" and "B" zones on a wide-spaced drill pattern. Several of these holes intersected broad bands of sulphide mineralization, none of which was of ore grade.

### Mine Development

While normal development continued throughout the year in the Upper and Lower "G" ore bodies, emphasis was placed on the development of the "B" zone located approximately 3,400 feet east of the Knight shaft. The fourth level track haulageway to the "B" zone was completed and the 18% incline ramp, required for the development of the zone for a trackless mining operation, was 50% completed. Ore and waste loading facilities, pumping stations and underground shops were completed. Ventilation will be provided through a bored seven-foot shaft.

### Exploration and Development Footage Summary

	1971	1970	1969
Surface diamond drilling.....	11,246	33,760	6,128
Underground diamond drilling.....	33,278	63,041	41,534
	<u>44,524</u>	<u>96,801</u>	<u>47,662</u>
Major development .....	5,687	8,708	7,258
Stope preparation.....	12,611	15,942	11,540
	<u>18,298</u>	<u>24,650</u>	<u>18,798</u>



### Ore Reserves

The in-place and broken ore reserves including dilution in all classifications at year end were as follows:

Ore Body	Tons	% Lead	% Zinc
Upper "G"	5,063,000	2.12	8.56
Lower "G"	1,290,000	4.22	5.76
Total "G"	6,353,000	2.55	7.99
"B" Zone	2,654,000	3.48	6.06
Total	<u>9,007,000</u>	<u>2.82</u>	<u>7.42</u>
Broken Ore	73,000	2.50	8.91
Grand Total	<u>9,080,000</u>	<u>2.81</u>	<u>7.43</u>

Ore reserves showed a depletion of 702,000 tons after the milling of 788,771 tons.

### Mining

Tonnage of ore broken during the year was 839,213 of which 54,156 was from development. The tonnage of ore fully prepared for stoping was 853,444. Long hole drilling for production purposes totalled 558,213 feet. Backfilling operations using cemented mill tailings commenced late in the year and 81,851 tons were placed underground.

### Milling

Tonnage milled during the year was 788,771 grading 2.37% lead and 8.59% zinc. Concentrate produced amounted to 27,407 short dry tons of lead concentrate and 115,197 short dry tons of zinc concentrate. Substantial improvements in metallurgical performance were experienced throughout the year. Concentrate grades increased 3.39% and 1.51% for lead and zinc respectively, while recoveries increased 8.02% and 3.32%.





### Capital Expenditures

During the year \$266,096 was expended on new equipment and facilities, being made up mainly of backfill plant equipment and distribution system, mining equipment for the development of the "B" zone, additional pumping equipment and other miscellaneous milling and underground mining equipment.

### General

The suspension of production caused by the explosion resulted in an insurance claim which will recover a significant portion of lost profits. The estimated amount of the insurance claim has been included in the Consolidated Statement of Income. Because of the explosion and the labour strike which curtailed production for approximately ten weeks, operating figures on a per ton milled basis for 1971 have been excluded from this report and are not comparable with 1970 figures.

Expenditures of \$181,000 relating to the development of the "B" zone were absorbed in operating costs. During the year \$5,000,000 of bonds were redeemed and since the year end an additional \$1,500,000 of bonds have been redeemed.

The average metal prices received during the year for lead and zinc were 11.59 and 15.62 cents respectively per pound of metal.

At year end there were 541 employees, of which 104 were on staff. In addition 9 contractors were steadily employed. Total expenditure for salaries, wages and production bonuses was \$2,585,130, representing approximately 45.5% of operating costs.

Labour turnover was approximately 28% while absenteeism amounted to 7.3% per day.

All 89 company houses were occupied throughout the year. An average of 26 single status employees utilized the dormitory and cafeteria facilities. The latter will be phased out early in the new year.





### Capital Expenditures

During the year \$266,096 was being made up mainly of backfitting mining equipment for the development of equipment and other miscellaneous equipment.

### General

The suspension of production on the insurance claim which will recover a portion of the amount of the insurance claim from the Department of Income. Because of the suspension of production for approximately ten months, the basis for 1971 have been excluded with 1970 figures.

Expenditures of \$181,000 relating to the year absorbed in operating costs. During the year redeemed and since the year ended June 30, 1971 have been redeemed.

The average metal prices received during the year were 11.59 and 15.62 cents respectively.

At year end there were 541 employees. Contractors were steadily employed. Production bonuses was \$2,585,000 in operating costs.

Labour turnover was approximately 100 per cent.

All 89 company houses were occupied. Status employees utilized the development of the new year.

## International Mogul Mines Limited and its consolidated subsidiaries

### Consolidated Statement of Source and Application of Funds

Six months ended June 30, 1971  
with comparative figures in 1970  
(unaudited)

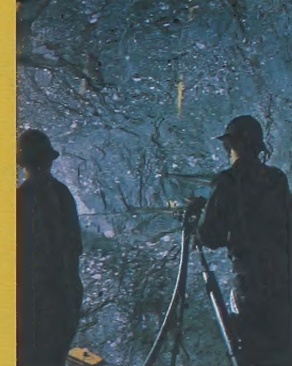
	1971	1970
<b>Source of funds</b>		
Net income for period before interest of minority shareholders .....	\$1,723,000	\$10,707,000
Add items not involving current funds		
Depreciation, depletion and amortization .....	982,000	838,000
Other .....	37,000	43,000
	<u>2,742,000</u>	<u>11,588,000</u>
Recovery of deposit on income taxes .....		92,000
Recovery of cost of investments sold .....	20,000	381,000
Proceeds from sale of fixed assets .....		7,000
Other .....	70,000	
	<u>2,832,000</u>	<u>12,068,000</u>
<b>Application of funds</b>		
Reduction of long-term debt ..	3,533,000	538,000
Investment in shares and advances		
Subsidiaries not consolidated .....	993,000	1,587,000
Other companies .....	487,000	993,000
Purchase of fixed assets .....	223,000	182,000
Exploration expenditures deferred .....	90,000	48,000
Other .....	1,000	46,000
	<u>5,327,000</u>	<u>3,394,000</u>
Increase (decrease) in working capital .....	(2,495,000)	8,674,000
Working capital at beginning of period .....	8,333,000	2,375,000
Working capital at end of period .....	<u>\$5,838,000</u>	<u>\$11,049,000</u>

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## International Mogul Mines Limited

### Interim Report Six Months Ended June 30, 1971

Printed in Canada





### Capital Expenditures

During the year \$266,096 was being made up mainly of backfill mining equipment for the development of the Silvertown mine and other miscellaneous equipment.

### General

The suspension of production claim which will recover a substantial amount of the insurance claim has been made up mainly of backfill mining equipment for the development of the Silvertown mine and other miscellaneous equipment.

Expenditures of \$181,000 related to the insurance claim have been absorbed in operating costs. During the year end there were 541 employees and since the year end there have been no changes.

The average metal prices received during the year were 11.59 and 15.62 cents respectively.

At year end there were 541 employees and since the year end there have been no changes.

Labour turnover was approximately 10 per cent per day.

All 89 company houses were occupied and since the year end there have been no changes.

## International Mogul Mines Limited

34 Adelaide Street West  
Toronto 1, Ontario

### To THE SHAREHOLDERS:

Net income for your Company and its consolidated subsidiaries for the six months ended June 30, 1971 amounted to \$1,400,857 or 54¢ per share. Consolidated net income for the same period in 1970, which amounted to \$3.90 per share, is not comparable with 1971 results because of the very large extraordinary gain on investments included in that period.

The decrease in consolidated net income, excluding extraordinary items, was caused mainly by the strike of Mogul of Ireland Limited employees which commenced on May 31st and was settled on July 10th. The loss of production is estimated to have reduced consolidated net income for the period by at least 15¢ per share. In addition, the free Canadian dollar exchange rate had an adverse effect on earnings.

### MOGUL OF IRELAND LIMITED

Operating results of the Company's 75% owned subsidiary for the six months ended June 30, 1971, compared to the same period in 1970, were as follows:

	1971	1970
Tons milled .....	430,871	518,776
Grade of ore milled		
— lead .....	2.24%	2.60%
— zinc .....	8.72%	10.61%
Short dry tons of concentrates produced		
— lead .....	14,283	17,766
— zinc .....	63,377	90,686
Recovery of metals		
— lead .....	63.56%	54.05%
— zinc .....	86.02%	82.49%

	1971		1970	
	Amount	Per ton Milled	Amount	Per ton Milled
Production revenue	\$5,892,634	\$ 13.67	\$7,558,856	\$ 14.57
Operating costs	2,750,649	6.38	3,226,593	6.22
Marketing costs	473,277	1.10	663,649	1.28
Surface exploration	36,681	.13	97,426	.19
	3,280,607	7.61	3,987,668	7.69
Operating profit	2,612,027	6.06	3,571,188	6.88
Other charges including bond interest, royalties etc. ....	386,887	.90	586,061	1.13
Net profit before undernoted charges	2,225,140	5.16	2,985,127	5.75
Depreciation, depletion and amortization .....	936,073	2.17	798,653	1.54
Net profit for period .....	\$1,289,067	\$ 2.99	\$2,186,474	\$ 4.21

On May 31st the Irish Transport & General Workers Union commenced strike action against the Company over a dispute involving non-monetary matters which caused the suspension of production. The strike was settled on July 10th, but because of damage by explosives to the main transformer on July 3rd milling was not resumed until August 12th.

The lower grade of ore milled during the first six months of the year was partially offset by significant increases in metallurgical efficiencies.

The recent increase of 2.4% U.S. per pound in the European producer price for zinc should substantially increase production revenue during the balance of 1971.

During the period \$3,500,000 U.S. principal amount of First Mortgage Bonds were redeemed and interest expense has decreased as bonds have been redeemed from time to time. Working capital of Mogul of Ireland Limited at June 30, 1971 amounted to approximately \$2,700,000 U.S.

Development of the "B" zone ore body progresses and it is expected that mining of this area will commence in the latter half of 1972.

During the period 6,192 feet of exploratory surface diamond drilling was completed in the Silvermines valley north of the known ore zones.

### GENERAL

Exploration of mineral prospects in many areas and and reconnaissance for new prospects and participations continue as well as investigation of investment opportunities.

Encouraging results have been obtained in pilot-plant testing of barite-fluorite ores from the Lake Ainslie deposit in the Cape Breton area of Nova Scotia, held under option. Additional diamond drilling is now being done in an effort to extend known ore.

No significant changes in the Company's portfolio of major investments have occurred during the period.

Yours respectfully,

D. W. KNIGHT,  
President.

August 20, 1971.

## International Mogul Mines Limited

and its consolidated subsidiaries

### Consolidated Statement of Income

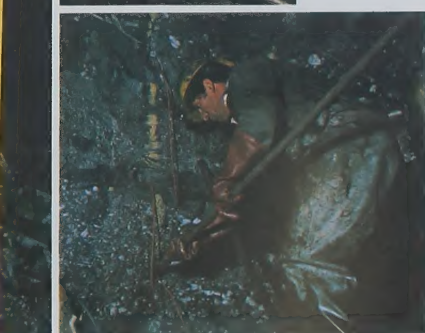
Six months ended June 30, 1971  
with comparative figures in 1970  
(unaudited)

	1971	1970
Revenue from production of concentrates .....	\$5,892,000	\$ 7,559,000
Mine operating expense .....	3,220,000	3,928,000
Royalty expense .....	74,000	37,000
Administrative and general expense .....	291,000	322,000
Interest on long-term debt .....	301,000	519,000
General exploration and property maintenance .....	48,000	33,000
Other expenses .....	38,000	3,000
Depreciation, depletion and amortization .....	982,000	838,000
	4,954,000	5,680,000
Less net income from investments, currency revaluation, consulting, management and other sources .....	454,000	295,000
	4,500,000	5,385,000
Income before undernoted items .....	1,392,000	2,174,000
Net gain on investments .....	331,000	8,533,000
Net income for period before interest of minority shareholders .....	1,723,000	10,707,000
Interest of minority shareholders in net income of subsidiary, Mogul of Ireland Limited .....	322,000	546,000
Net income for the period .....	\$1,401,000	\$10,161,000
Earnings per share .....	\$ .54	\$ 3.90
Earnings per share excluding net gain on investments .....	\$ .41	\$ .62

### NOTE:

#### Income Taxes

No provision for income taxes is required because Mogul of Ireland Limited is in a tax free period until 1988 and the company and its consolidated subsidiaries have considerable undepreciated capital cost, exploration expenditures and other allowances available to offset taxable income.





## Exploration

Mineral exploration activities continued at a brisk pace during the year and several new exploration programs and joint ventures with other companies were instituted. The Company's search for mineral deposits included areas in Canada, the United States, Costa Rica and the Republic of Ireland.

### CANADA

#### British Columbia—North Thompson Project

Participation was taken with Discovery Mines Limited and Metron Explorations Limited in an exploration project managed by Messrs. Derry, Michener & Booth, Mining Geological Consultants, to explore for bulk copper deposits in an area north of Kamloops, B.C. The preliminary program conducted on five selected areas covering about 350 square miles included prospecting, geological mapping and stream sediment sampling. Further exploration work is planned to examine a number of anomalous areas. The Company has provided 33⅓% of the costs of the project for a 32½% interest in several groups of claims acquired to cover anomalous areas.

#### Quebec—Duncan Lake Area-James Bay

An aerial magnetic and electromagnetic survey was completed over 324 square miles including the area of 9.18 square miles held under Mineral Exploration License 157 by Duncan Range Mines Limited. International Mogul owns 25.5% of the issued shares of Duncan Range. The survey was conducted pursuant to an arrangement made with Duncan Range for the purpose of further evaluating the iron ore potential of MEL 157 and investigating the base metal possibilities within the boundaries of MEL 157 and the surrounding area of green-stone volcanic rocks. The areas contained in MEL 157 are estimated to contain reserves of 300,000,000 tons of a beneficiating type taconite iron ore. Claims were staked to cover conductive zones indicated by the aerial survey but ground investigation including prospecting, trenching and geophysical surveys did not find evidence of significant base metal mineralization.

#### Nova Scotia—Lake Ainslie Project

Pilot plant testing which commenced nearly two years ago continued throughout the year on ores from this barite-fluorite property in the Lake Ainslie area on Cape Breton Island, Nova Scotia. Results of recent test work, in which new approaches to the problem of separation have been followed, indicate that the objective of producing barite and fluorite concentrates that will meet market specifications at acceptable recoveries is within reach.

In July an exploration program commenced on the property in an effort to enhance the ore reserves picture and provide additional life expectancy. This program included geological mapping, geochemical

and geophysical surveys and the drilling of eight surface diamond drill holes totalling 7,053 feet. This drilling which is currently continuing has indicated additional ore tonnage in the Campbell and MacMillan vein structure both on strike and at depth. The drill program will be expanded to test the Johnson and MacDougall veins for additional ore potential.

### UNITED STATES

#### Cordex Syndicate

This syndicated exploration venture, managed by Cordilleran Explorations, commenced in 1970 to explore for minerals in the western states and Alaska. The other participants are Rayrock Mines Limited, United Siscoe Mines Limited and Lacanex Mining Company Limited.

A total of 58 property examinations were made in 1971 on prospects located in Nevada, California, Arizona, Oregon, Utah and Idaho. Several prospects examined since the start of the project have been designated as specific projects and detailed exploration is in progress. A substantial tonnage of gold ore has been indicated on the Pinson project.

The Company provides 25% of the costs of the venture for a 20% interest in mining properties acquired.

#### State of Washington—Israel Continental Oil Company Limited

Your Company provided finances to Israel Continental through the purchase of treasury shares and managed the exploration program on the group of 17 claims owned by Israel in Ferry County, State of Washington, known as the Lone Star property. During the exploration program which commenced in 1970, nearly 18,000 feet of diamond drilling in 24 holes was completed obtaining some exceptional intersections of copper mineralization. In the evaluation of the results it was not possible to establish sufficient continuity to support a modest tonnage, high grade underground operation or to establish a sufficient tonnage of near surface material to support a bulk open pit operation. This property is now dormant but several major copper producers have expressed interest in further work provided that additional surrounding claims owned by others can be included in the land package.

Your Company owns 34% of Israel Continental's issued shares. Because of disappointing drilling results, the Company's investment in Israel Continental has been written down by \$553,000 to \$171,000 and this is part of the extraordinary loss on investments shown in the Consolidated Statement of Income.

### COSTA RICA

Exploration continued for porphyry copper deposits in the Talamanca Range of Costa Rica in an environment similar to that of known deposits in the neighbouring Republic of Panama.

Exploration work, which commenced in 1970, included stream sediment sampling, prospecting and outcrop examination in stream valleys and was conducted in four areas comprising over 600 square kilometres. Because of the difficult terrain and the lack of positive results, the program was terminated during 1971.

### REPUBLIC OF IRELAND

In partnership with Bethlehem Copper Corporation Limited, exploration for base metals commenced last year in nine separate areas held under prospecting license covering in the aggregate over 400 square miles. The program, which continues, includes geological mapping, prospecting, soil sampling, stream sediment sampling and geophysical surveys. Diamond drilling is planned on two promising areas, one in County Leitrim, the other in County Sligo. This joint venture is supervised by Basin Exploration (Ireland) Limited, a wholly owned subsidiary of the Company, which retains a 10% carried interest in the prospecting licenses owned by the joint venture.

Basin Exploration also continued exploration work as a service organization on prospecting licenses in several counties held by the Company's associated and subsidiary companies. Drilling is planned on properties located in the Counties of Offaly, Cork, Leitrim and Clare.

## Investments

### Coldstream Mines Limited

In December, 1971, North Coldstream Mines Limited and Tontine Mining Limited amalgamated to form Coldstream Mines Limited. International Mogul owns 456,842 shares of Coldstream representing 22.6% of the issued capital. The principal asset of Coldstream is its holding of 801,400 shares of International Mogul representing 30.7% of the issued capital.

Coldstream's other assets include a 67% interest in City Associated Enterprises Limited, a Bahamian company which operates retail stores and a dry cleaning business in the Bahamas, a 75% interest in Interscan Limited, a distributor principally in Europe of computer input equipment, and approximately a 6% interest in Bluemount Resources Ltd. City Associated Enterprises is continuing to be a profitable operation. Interscan commenced profitable operation in the last quarter of 1971 and has been quite successful in the past six months in obtaining some prestigious and sizeable orders.

### Bluemount Resources Ltd.

Under an agreement with Northern Natural Gas Company, Bluemount manages an oil and gas exploration program in the Province of Alberta and the Yukon Territory. This joint venture is shares by Northern Natural Gas as to a 66⅔% interest and Bluemount as to a 33⅓% interest.

An aggregate of \$35,100,000 of which Bluemount's share is \$11,700,000 has been committed for exploration during the years 1972 to 1977. Exploration expenditures are subject to approved annual budgets and provision has been made for possible extensions to the agreement for two additional three-year periods after December 31, 1977.

Bluemount continues the policy of searching exclusively for high reward fields. Exploration activity since the commencement of the program has included the acquisition of attractive exploratory acreage, the generation of original geological plays, the evaluation of seismic data, and the drilling of exploratory wells. To the end of 1971 Bluemount's share of exploration costs amounted to \$2,772,194 of which \$791,504 was recovered in administrative costs from its joint venture participation. To the end of 1971 nine exploratory wells had been drilled in various areas of Alberta and in the Yukon Territory, none of which proved successful. There has been, however, sufficient encouragement to justify continuation of the program in specific areas in Northern Alberta and Eastern Alberta, and following spring breakup Bluemount plans to drill twenty to thirty exploratory wells during the remainder of 1972.

As at December 31, 1971 leasehold and reservation/permit acreage held including acreage held under option, amounted to 1,094,331.54 gross acres, Bluemount's net share being 291,383.45 acres.

International Mogul owns 100,000 shares of Bluemount and has subscribed for an additional 100,000 shares at the price of \$5.00 per share payable on or before December 1, 1972. When outstanding subscriptions for Bluemount's shares are completed, International Mogul will own 200,000 out of 1,700,000 shares of Bluemount issued and outstanding, representing approximately 12%, and Coldstream Mines Limited will own 100,000 shares of Bluemount representing approximately 6%.



The Grand Bahama Development Company Limited

The main sources of income of the Development Company and its subsidiaries, which operate primarily in the Freeport area of Grand Bahama Island, are the development and sale of land, provision of airport facilities, rental of commercial properties, operation of golf courses and, through Bahamas Amusements Limited, the operation of casinos and related facilities.

The Development Company is controlled by The Grand Bahama Port Authority Limited which owns 57.6% of the Development Company's issued shares. International Mogul owns 2,000,000 shares representing 17.3% of the issued shares.

Florida Devco. Inc., a wholly owned subsidiary of the Development Company, has purchased approximately 10,800 acres of land near Lake Wales in Florida. Development of this land, which is not far from Disney World, is to commence in 1972 with sales expected in the latter part of the year.

The following are financial highlights of the Development Company and its consolidated subsidiaries for the fiscal year ended October 31, 1971 with comparative figures in 1970 restated for comparative purposes. All figures are in U.S. dollars.

	1971	1970
Gross land sales.....	\$29,149,407	\$30,113,125
Net income.....	*\$11,331,632	\$15,891,650
Net income per share.....	\$0.98	\$1.37
Shareholders' equity at fiscal year end:		
Share capital and premium.....	\$30,605,000	\$30,605,000
Retained earnings and contributed surplus .....	\$76,595,096	\$63,454,340

\* 1971 includes extraordinary income of \$2,023,852 or \$0.18 per share.

New Mount Costigan Mines Limited

International Mogul owns 1,039,620 shares of New Mount Costigan, being approximately 33% of its issued shares. New Mount Costigan, through its wholly owned subsidiary, Costigan Mining (Australia) Pty. Limited, owns a 68% interest in Naracoopa Rutile Limited, a rutile and zircon beach sand property located on King Island, Tasmania. Production at Naracoopa for the year amounted to 6,821 tons of rutile and 3,770 tons of zircon from the treatment of 412,874 tons of beach sands having a heavy metal concentration of 23.3% with a combined rutile-zircon grade of 4.1%.

Production was down compared to the past year because of difficulties experienced in bringing the new primary concentrating plant into operation and because of metallurgical problems which developed late in the year. A net loss of \$259,048 Aust. was incurred for the year.

In addition the reduction in sales and the shipment of some below specification zircon for which payment was withheld, placed the company in a precarious financial position. This resulted in the company being placed in receivership. It is unlikely that the common shareholders of Naracoopa Rutile Limited will be entitled to other than a nominal amount under any reorganization. For this reason International Mogul's investment in New Mount Costigan has been written down by \$643,000 to \$253,000 and this is part of the extraordinary loss shown in the Consolidated Statement of Income.

Exploration of the 600 square mile concession in Northern Tasmania held by Comstaff Proprietary Limited, in which New Mount Costigan holds an interest, continued throughout the year under the direction of Anglo American Corporation (Australia) Limited. Approximately \$350,000 was spent by Anglo on the project during 1971.

In Canada, International Mogul undertook under a leasing agreement additional exploration work on claims owned by New Mount Costigan Mines Limited in the Lake Ainslie area of Cape Breton Island, Nova Scotia, in an effort to increase ore reserves of a barite-fluorite deposit partially located on these claims, New Mount Costigan retaining a royalty interest.

New Quebec Raglan Mines Limited

Falconbridge Nickel Mines Limited continued exploration and development work on the properties held by Raglan Quebec Mines Limited, the operating subsidiary, in the Ungava area of Quebec. The only exploration work carried out during the year was a limited surface geological program which included mapping and some sampling.

The development program consisted almost entirely of road construction. In addition a soils investigation program was completed at the Katiniq site and at a proposed permanent water dam site near Katiniq.

Thirty-eight miles of road built during the year included thirty-five miles between Douglas Harbour and Katiniq, access to the Donaldson Mine and access to two water dam sites in the Katiniq area. Total road construction costs are estimated to be in excess of \$6 million. A 10,000 barrel oil storage tank was erected at Donaldson and a 30,000 barrel oil storage tank erected at Douglas Harbour.

Engineering and feasibility studies carried on during the year are continuing.

In view of the world nickel situation no program has been devised for bringing the property into commercial production at the present time. Ore reserves, including dilution, indicated by surface drilling, and as to 3,021,000 tons by underground exploration, are estimated to be 16,050,000 tons grading 2.58% nickel and 0.71% copper. Your Company owns 567,420 shares of New Quebec Raglan.

Australia

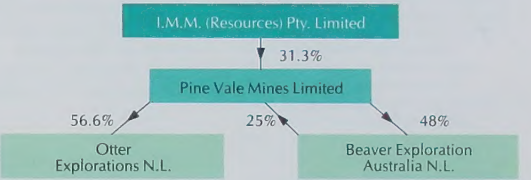
I.M.M. (Resources) Pty. Limited, a wholly owned subsidiary incorporated in Australia, acquired 40% of the voting shares of Beaver Exploration Australia N.L. during the month of November.

Beaver is an Australian oil and gas exploration company with substantial liquid assets and a large and profitable investment in Woodside Burmah Oil N.L., a company engaged in the search for oil in the northwest shelf of Australia. Beaver plans to search actively for oil in Australia by obtaining additional prospecting areas as they become available and through participations. To conserve funds partners will be sought to finance the ventures, Beaver retaining a carried interest.

In addition Beaver holds the following investments:

- 1) 20% interest in Parkland & Properties Limited, a company formed to develop a chain of high standard caravan parks along the east coast. This company is unique in Australia and should be in a good position to share in the growth of the leisure time industry. Other shareholders include Partnership Pacific Investments Pty. Limited (a merchant bank whose shareholders are Bank of New South Wales, Bank of America, and Bank of Tokyo), Martin Corporation Limited, Riverbank Properties Pty. Limited and American Mobile Home Towns Inc.;
- 2) 100% interest in Drilling Contractors (Australia) Pty. Limited, a company which owns three oil drilling rigs in Australia, all of which are fully employed in the search for oil and gas; and
- 3) 10% interest in Pine Vale Mines Limited, a mining investment company with headquarters in Sydney, with substantial liquid assets and a very substantial and profitable investment in Woodside Burmah Oil N.L. Pine Vale also has a 56.6% interest in Otter Explorations N.L. which has about \$1,440,000 in liquid assets and an active exploration program.

In April, 1972 Beaver completed the purchase of a further share interest in Pine Vale Mines Limited which increased its share position to 37% of the issued shares. At that time Pine Vale also owned a 7.2% interest in Beaver. In May, 1972 Pine Vale acquired by way of a share exchange all the shares of Beaver owned by International Mogul through its wholly owned Australian subsidiary, I.M.M. (Resources) Pty. Limited. The result of these transactions is shown in the following chart:



The assets contained in this group of companies as at March 31, 1972, and after giving effect to the above transactions, are summarized as follows:

Cash and marketable securities net of liabilities.....	\$ 4,490,000
Investment in Woodside Burmah at market value, March 31, 1972.....	2,530,000
Other investments, at cost.....	438,000
Total external investments.....	7,458,000
Inter-company investments, at cost.....	4,790,000
	<u>\$12,248,000</u>

This provides a base for significant activity in Australia and the group has the management and staff to make a useful contribution to the development of natural resources in Australia in partnership with the many Australian shareholders in the various companies.



## Consolidated Balance Sheet

December 31, 1971  
(with comparative figures at  
December 31, 1970)

Assets	1971	1970
<b>CURRENT ASSETS</b>		
Cash and short-term deposits.....	\$ 1,819,000	\$ 6,794,000
Accounts receivable.....	973,000	365,000
Marketable securities, at lower of cost and market (quoted market value 1971, \$389,000; 1970, \$1,528,000).....	380,000	1,482,000
Concentrates on hand and in process of settlement, at net realizable value.....	2,413,000	1,788,000
Inventory of supplies, at cost.....	959,000	994,000
Prepaid expenses and deposits.....	43,000	12,000
	<u>6,587,000</u>	<u>11,435,000</u>
DEPOSITS, prepaid harbour dues.....	131,000	150,000
<b>INVESTMENTS (Note 2)</b>		
Subsidiaries not consolidated (Note 3) .....	1,908,000	1,394,000
Other shares (quoted market value 1971, \$11,998,000; 1970, \$18,015,000).....	10,134,000	10,180,000
Shares without quoted market value and advances.....	2,433,000	763,000
	<u>14,475,000</u>	<u>12,337,000</u>
<b>FIXED ASSETS, less accumulated depreciation and depletion (Note 4) ..</b>	<u>11,059,000</u>	<u>11,766,000</u>
<b>MINING CLAIMS AND RIGHTS</b>		
Cost.....	442,000	416,000
Deferred exploration and development.....	1,993,000	1,423,000
	<u>2,435,000</u>	<u>1,839,000</u>
<b>DEFERRED PREPRODUCTION EXPENDITURES in Ireland and other charges, amortized value (Note 4) .....</b>	<u>6,330,000</u>	<u>6,851,000</u>
	<u>\$41,017,000</u>	<u>\$44,378,000</u>

## Liabilities

	1971	1970
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities.....	\$ 2,713,000	\$ 2,821,000
Royalties payable.....	291,900	281,000
	<u>2,919,000</u>	<u>3,102,000</u>
<b>LONG-TERM DEBT</b>		
First Mortgage Bonds of Mogul of Ireland Limited (Note 5)		
7% Series A, maturing September 1, 1975.....	6,500,000	7,000,000
6¾% Series B.....		3,536,000
6¾% Series C.....		1,010,000
Mortgages payable due in 1979 and 1981.....	385,000	406,000
	<u>6,885,000</u>	<u>11,952,000</u>
<b>MINORITY INTEREST in Mogul of Ireland Limited .....</b>	<u>3,038,000</u>	<u>2,237,000</u>
<b>Shareholders' Equity</b>		
<b>CAPITAL STOCK (Note 6)</b>		
Authorized — 4,000,000 shares without par value		
Issued — 2,607,112 shares .....	11,061,000	11,061,000
<b>CONTRIBUTED SURPLUS.....</b>	<u>2,028,000</u>	<u>2,028,000</u>
<b>RETAINED EARNINGS.....</b>	<u>15,086,000</u>	<u>13,998,000</u>
	<u>28,175,000</u>	<u>27,087,000</u>
<b>Commitment (Note 8)</b>		
Approved by the Board		
"D. W. Knight", Director		
"R. D. Bell", Director	<u>\$41,017,000</u>	<u>\$44,378,000</u>

## Auditors' Report

To the Shareholders of  
INTERNATIONAL MOGUL  
MINES LIMITED

We have examined the consolidated balance sheet of International Mogul Mines Limited and its consolidated subsidiaries as at December 31, 1971 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Thorne, Krumm, Helliwell & Christensen*

Chartered Accountants

Toronto, Ontario  
May 1, 1972



## Consolidated Statement of Income and Retained Earnings

Year ended December 31, 1971  
(with comparative figures for 1970)

	1971	1970
Revenue from production of concentrates .....	\$11,906,000	\$14,853,000
Mine operating expenses .....	6,369,000	7,753,000
Depreciation, depletion and amortization (Note 4) .....	1,605,000	1,893,000
Royalty expense (Note 4) .....	75,000	345,000
Administrative and general expense .....	682,000	713,000
Interest on long-term debt .....	591,000	966,000
General exploration and property maintenance .....	102,000	88,000
Mining claims abandoned and related costs .....	143,000	37,000
	9,567,000	11,795,000
Less net income from investments, currency revaluation, consulting, management and other services .....	898,000	861,000
	8,669,000	10,934,000
Income before undernoted items .....	3,237,000	3,919,000
Net gain on investments .....	61,000	1,056,000
Income before interest of minority shareholders and extraordinary items .....	3,298,000	4,975,000
Interest of minority shareholders in net income of subsidiary, Mogul of Ireland Limited .....	801,000	983,000
Income before extraordinary items .....	2,497,000	3,992,000
Extraordinary gain (loss) on investments (Note 9) .....	(1,409,000)	7,083,000
Net income for the year .....	1,088,000	11,075,000
Retained earnings at beginning of year .....	13,998,000	2,923,000
Retained earnings at end of year .....	\$15,086,000	\$13,998,000
Earnings per share		
Before net gain on investments and extraordinary items .....	\$0.93	\$1.13
Before extraordinary items .....	\$0.96	\$1.53
Net income for the year .....	\$0.42	\$4.25

## Consolidated Statement of Source and Application of Funds

Year ended December 31, 1971  
(with comparative figures for 1970)

	1971	1970
<b>Source of funds</b>		
Income for year before interest of minority shareholders and extraordinary items .....	\$3,298,000	\$ 4,975,000
Add items not involving current funds		
Depreciation, depletion and amortization .....	1,605,000	1,893,000
Other .....	170,000	24,000
	5,073,000	6,892,000
Extraordinary items .....	32,000	7,400,000
Recovery of cost of investments sold .....	193,000	64,000
Recovery of deposit on income taxes .....		111,000
Proceeds from sale of fixed assets .....	7,000	97,000
Other .....	19,000	48,000
	5,324,000	14,612,000
<b>Application of funds</b>		
Reduction of non-current portion of long-term debt .....	5,067,000	4,107,000
Investment in shares and advances		
Subsidiaries not consolidated .....	720,000	996,000
Other companies .....	3,193,000	2,685,000
Purchase of fixed assets less mortgages assumed in 1970 of \$428,000	346,000	706,000
Purchase of mining claims and rights .....	7,000	17,000
Exploration expenditures deferred .....	598,000	143,000
Other .....	58,000	
	9,989,000	8,654,000
Increase (decrease) in working capital .....	(4,665,000)	5,958,000
Working capital at beginning of year .....	8,333,000	2,375,000
Working capital at end of year .....	\$3,668,000	\$ 8,333,000



## International Mogul Mines Limited

# Notes to Consolidated Financial Statements

Year ended December 31, 1971

### 1. Basis of Consolidation

The accounts of the company's principal subsidiaries, Mogul of Ireland Limited and Lorado of Bahamas, Limited, along with other subsidiaries are consolidated herein. These subsidiaries are wholly owned except for Mogul of Ireland in which the company holds a 75% interest.

The accounts of Mogul of Ireland and Lorado of Bahamas are recorded in Sterling and U.S. dollars respectively. In the accompanying financial statements, current assets and current liabilities have been converted at the prevailing rates of exchange as at December 31, 1971 and 1970 respectively. Other assets have been converted at the average rate of exchange for the years in which they were acquired. Income items have been converted at the average rate of exchange during each year, except that depreciation, depletion and amortization are recorded at the same rates as related assets.

### 2. Investments

Investments in shares are valued at cost or less depending upon the underlying value of the investment and the quoted market value.

Because of the large blocks of shares held in certain companies the quoted market values are not necessarily indicative of the value of the investment, which may be more or less than indicated by market quotations. In some instances investments are valued at amounts in excess of quoted market values although the aggregate quoted market value of the investments is in excess of the cost of those investments by \$1,864,000.

### 3. Subsidiaries not Consolidated

Investments in subsidiaries not consolidated are as follows:

	1971	1970
Shares.....	\$ 314,000	\$ 404,000
Advances.....	1,594,000	990,000
	<u>\$ 1,908,000</u>	<u>\$ 1,394,000</u>

The accounts of these subsidiaries have not been consolidated because some are in the early stages of their development and the remainder are inactive or otherwise immaterial.

### 4. Fixed Assets

	1971	1970
In Ireland, at cost		
Mineral leases and rights...	\$ 1,806,000	\$ 1,806,000
Land, buildings, plant and equipment.....	11,299,000	11,035,000
In Canada		
Land, buildings, machinery and equipment.....	1,276,000	1,202,000
	14,381,000	14,043,000
Less accumulated depreciation and depletion.....	3,322,000	2,277,000
	<u>\$11,059,000</u>	<u>\$11,766,000</u>

### Depreciation, depletion and amortization policy

Mogul of Ireland Limited provides for depreciation of fixed assets in Ireland, depletion of mineral leases and rights and amortization of deferred preproduction expenditures and other charges on a straight line basis. These assets will be written off over the life of the mine, based on ore reserves established from time to time except for certain fixed assets whose life is estimated to be shorter than that of the mine.

In Canada the fixed assets are recorded at cost or less than cost. These assets are being depreciated at the rate of 20% per annum except for the building which the company occupies which is being depreciated at the rate of 2.5% per annum, all on a straight line basis.

### Mineral leases and rights

Mineral rights to the Silvermines property in Ireland were acquired in various parcels either by outright purchase or by lease and sub-lease from the State and others. Some of the leases and sub-leases call for the payment of royalties under certain conditions upon commencement of production. The mineral rights leased from the Republic of Ireland, which comprised about 40% of the G Zone orebody, are leased until December 1, 1995 subject to the payment of an annual royalty to the State ranging from 4% to 10% of the profits therefrom.

### 5. First Mortgage Bonds

The first mortgage bonds of Mogul of Ireland Limited are secured by a first fixed and specific mortgage and charge on all the real and immovable property and other fixed assets of Mogul of Ireland, and all contracts entered into for the sale of concentrates; also by a first floating charge on all the undertaking and all other property and assets of Mogul of Ireland, both present and future.

These bonds are not guaranteed by International Mogul Mines Limited.

Mogul of Ireland is required under the terms of the Trust Deed securing the bonds to provide a fund for their retirement by paying to the trustee, on or before September 1 in each of the years 1971 to 1974 inclusive, an amount equal to its net cash flow from operations as defined in the Trust Deed. Notwithstanding the amount of the net cash flow available, Mogul of Ireland is required to pay \$3,000,000 into the retirement fund on or before September 1, 1974.

During 1971 Series B bonds of principal amount U.S. \$3,500,000, Series C of U.S. \$1,000,000 and Series A of Cdn. \$500,000 were redeemed. In 1972 an additional \$500,000 of Series A bonds were redeemed, with the result that minimum retirement provisions have been satisfied beyond September 1, 1973.

### 6. Stock Options

The company has reserved 100,000 shares of its capital stock under an incentive option plan for employees of the company and its subsidiaries. Any such options granted are to be at a price of not less than 90% of the market value of the shares at the date of grant. Options are in good standing for five years from that date, exercisable on a cumulative basis as at 20% of the shares optioned in any one option year.

At December 31, 1971 options were outstanding as follows:

Year of grant	Option price per share	No. of shares
1969	\$17.00	49,500
1971	7.50	10,500
		<u>60,000</u>

### 7. Income Taxes

The company has no taxable income for 1971 and has considerable undepreciated capital cost, exploration expenditures and other allowances available to offset future income. No provision for income taxes is required for Mogul of Ireland Limited on income from mining operations until 1988.

### 8. Commitment

The company invested \$500,000 during 1970 in Bluemount Resources Ltd., an oil and gas exploration company, and has agreed to invest an additional \$500,000 on December 1, 1972.

### 9. Extraordinary Items

The extraordinary items resulted from the write-down and/or sale of certain investments necessitated by unusual non-recurring events.

### 10. Other Information

(a) Certain 1970 figures have been reclassified on the basis of 1971 financial statement presentation.

(b) Direct remuneration of the company's directors and senior officers (as defined in The Business Corporations Act) from the company and its consolidated subsidiaries was \$322,000 in 1971 (\$324,000 in 1970).



## International Mogul Mines Limited/1971

### Directors

R. D. Bell, C.A., Toronto, Ont.  
H. R. Bennett, B.Comm., Toronto, Ont.  
Latham C. Burns, B.A., Toronto, Ont.  
P. S. Cross, B.A.Sc., Toronto, Ont.  
R. A. Davies, Q.C., LL.M., Toronto, Ont.  
E. T. Donaldson, Toronto, Ont.  
W. James, Ph.D., Toronto, Ont.  
D. W. Knight, Toronto, Ont.  
John Kostuik, B.Sc., Don Mills, Ont.  
E. B. McConkey, C.A., Scarborough, Ont.  
G. D. Pattison, C.A., Aurora, Ont.  
S. A. Perry, F.C.I.S., Toronto, Ont.  
F. G. Townsend, F.C.A., Mississauga, Ont.  
W. W. Weber, Ph.D., Toronto, Ont.

### Officers

S. A. Perry, F.C.I.S., Chairman of the Board  
D. W. Knight, President and Chief Executive Officer  
F. G. Townsend, F.C.A., Executive Vice-President  
G. D. Pattison, C.A., Vice-President and Secretary  
P. S. Cross, B.A.Sc., Vice-President, Operations  
R. D. Bell, C.A., Vice-President, Finance  
W. W. Weber, Ph.D., Vice-President, Exploration  
W. R. D. Maclean, C.A., Treasurer and Controller  
D. A. Humby, C.A., Assistant Secretary

### Auditors

Thorne, Gunn, Helliwell & Christenson, Toronto, Ont.

### Counsel

Davies, Ward & Beck, Toronto, Ont.

### Transfer Agent and Registrar

Guaranty Trust Company of Canada, Toronto, Montreal,  
Winnipeg and Vancouver

### Bankers

The Toronto-Dominion Bank, Toronto, Ont.

### Head Office

34 Adelaide Street West, Toronto, Ont.





